23 August 2018

Anglo Pacific Group PLC
Interim results for the six months ended 30 June 2018

Anglo Pacific Group PLC ("Anglo Pacific", the "Company", the "Group") (LSE: APF) (TSX: APY) is pleased to announce interim results for the six months ended 30 June 2018 which are available on both the Group's website at www.anglopacificgroup.com and on SEDAR at www.SEDAR.com.

Results

H1 income analysis	**2018**		2017		2016
	£'000	**% Mvt**	£'000	**% Mvt**	£'000
Kestrel	14,225	12.9%	12,604	796.6%	1,406
Maracas	2,125	170.7%	785	12.0%	701
Narrabri	1,456	(22.6%)	1,880	17.0%	1,607
EVBC [1]	-		815	54.1%	529
Denison - interest	1,079	12.5%	959		-
LIORC dividend	141		-		-
Four Mile	51		-		256
Revenue	19,077	12.0%	17,043	278.8%	4,499
EVBC - royalty receipts	1,003	23.1%	-		-
Denison - principal	741	150.3%	296		-
Total portfolio income	20,821	20.1%	17,339	285.4%	4,499

1 EVBC income as previously reported under IAS 32

2 EVBC income upon transition to IFRS 9 (see definition of adjusted earnings on page 3)

- Revenue in H1 2018 of £19.1m, a 12% increase from £17.0m in H1 2017
- Including EVBC and Denison principal, total income generated from the portfolio of £20.8m, a 20% increase compared to £17.3m in H1 2017
- Record royalty income of £2.1m from Maracás Menchen, already in excess of the £2.0m earned for FY 2017
- 15% increase in adjusted earnings per share to 8.56p from 7.44p in H1 2017; basic earnings per share increasing to 7.24p from a loss of 1.46p in H1 2017 (refer note 6)
- Cash generated from operating activities of £14.6m (H1 2017: £16.8m) with free cash flow generated in H1 2018 of £17.9m (H1 2017: £18.9 - which included £1.8m in relation to back dated income from the Denison financing arrangement)
- Net cash of £5.2m at June 30, 2018 (YE 2017: £8.1m) - after investing £13.9m and dividends of £7.2m
- Net assets of £217.1m (YE 2017: £218.9m) translating into net assets per share of 120p (YE 2017: 121p)
- Acquisition of a 0.5% NSR over the Canariaco project in Peru owned by Candente Copper Corp for £0.8m

Other highlights

- Purchase of Kestrel by EMR and Adaro completed on 1 August 2018, with the new operator targeting doubling of production in the near-term
- £37.0m (US$50.0m) acquisition of a 4.25% shareholding in Labrador Iron Ore Royalty Corporation ("LIORC"), as announced on 16 August 2018, providing exposure to the 7% GRR Labrador Iron Ore royalty

Julian Treger, Chief Executive Officer, commented:

"Anglo Pacific has enjoyed a very successful start to 2018 with our overall income continuing to grow (+20% in H1 2018) principally due to higher commodity prices. We have invested US$51.0m in growth opportunities which complement and diversify our existing portfolio. In the short-term the sale of Kestrel suggests that volumes could double in the coming years as the new owners look to maximise their return.

We have entered the second half of 2018 in a very strong position, with significant liquidity available to us, and we continue to actively pursue and appraise other royalty opportunities to add to the two acquisitions we have completed so far this year."

Analyst presentation

There will be an analyst presentation via conference call at 9:30am (BST) on 23 August 2018. The presentation will be hosted by Julian Treger (CEO), Kevin Flynn (CFO). Dial in details for the call are as follows:

Location you are dialling in from	**Number you should dial**
United Kingdom (toll free)	0800 358 9473
United Kingdom (Local)	+44 (0) 333 300 0804
All other locations please refer to the link below http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf	

Participant Access Code: 58239674#

The webcast cast presentation can be followed at the following URL:

https://event.on24.com/wcc/r/1822941-1/09C9AB86360CCC28F7127539DEDBCE06

For further information:

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Notes to editors:

About Anglo Pacific

Anglo Pacific Group PLC is a global natural resources royalty company. The Company's strategy is to develop a leading international diversified royalty and streaming company with a portfolio centred on base metals and bulk materials, focusing on accelerating income growth through acquiring royalties on projects that are currently cash flow generating or are expected to be within the next 24 months, as well as investment in earlier stage royalties. It is a continuing policy of the Company to pay a substantial portion of these royalties to shareholders as dividends.

Alternative Performance Measures

Throughout this report a number of financial measures are used to assess the Group's performance. The measures are defined as follows:

Total portfolio income

Total portfolio income represents the Group's total income flows from its royalty related assets. The Group's income flows are derived from royalty receipts (including EVBC), interest and principal repayments under royalty financing agreements and dividends from the Group's equity investment in Labrador Iron Ore Royalty Corporation.

Operating profit/(loss)

Operating profit/(loss) represents the Group's underlying operating performance from its royalty interests. Operating profit/(loss) is royalty income, less amortisation of royalties and operating expenses, and excludes impairments, revaluations and gain/(loss) on disposals. Operating profit/(loss) reconciles to 'operating profit/(loss) before impairments, revaluations and gain/(losses) on disposals' on the income statement.

Adjusted earnings and adjusted earnings per share

Adjusted earnings represents the Group's underlying operating performance from core activities. Adjusted earnings is the profit attributable to equity holders plus receipts from royalty financial instruments less all valuation movements, non-cash impairments and amortisation charges (which are non-cash adjustments that arise primarily due to changes in commodity prices), finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing.

Valuation and other non-cash movements such as these are not considered by management in assessing the level of profit and cash generation available for distribution to shareholders. As such, an adjusted earnings measure is used which reflects the underlying contribution from the Group's royalties during the year.

The introduction of IFRS 9 at the beginning of the year has impacted on the way in which the EVBC royalty is presented in the Income Statement. Despite the income being a prescribed percentage of revenue, the various equity conversion rights associated with the initial investment resulted in the asset being considered a financial asset. Previously, the royalty was accounted for as an IAS 32 available for sale equity financial asset, whereby the royalty income was recognised included within revenue. Upon adoption of IFRS 9, the royalty income is accounted for as repayment of the balance sheet carrying value and only the revaluation of the future cash flows is recognised in the income. Given this change, the Group has altered its definition of adjusted earnings to include the portion of the valuation movement which is attributable to the royalty income in the period, with non-cash revaluation movements continuing to be excluded. This achieves consistency with the previous years, when EVBC receipts were included as royalty revenue, and reflects the way in which management monitor performance and report revenue internally.

Adjusted earnings divided by the weighted average number of shares in issue gives adjusted earnings per share. Refer to note 6 to the financial statements for a reconciliation of adjusted earnings to the profit/(loss) attributable to equity holders and adjusted earnings per share.

Free cash flow and free cash flow per share

The structure of a number of the Group's royalty financing arrangements, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. As the Group also considers dividend cover based on the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator.

Free cash flow is the net cash generated from operating activities, plus proceeds from the disposal of non-core assets, less finance costs.

Free cash flow divided by the weighted average number of shares in issue gives free cash flow per share. Refer to note 20 to the financial statements for a reconciliation of free cash flow to net cash generated from operating activities and free cash flow per share.

Dividend cover

As it is a continuing policy of the Company to pay a significant portion of its royalties to shareholders as dividends, the directors consider the affordability of the dividend, conveyed by dividend cover, to be a useful additional measure of the Group's performance. Dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share. Refer to note 7 to the financial statements for dividend cover.

BUSINESS REVIEW

Highlights

The first half of 2018 has seen significant further growth for Anglo Pacific. Total income from our portfolio increased by 20% to £20.8m compared to the same period last year. This has resulted in strong cash generation which in turn has enabled us to complete two acquisitions for total consideration of US$51.0m (£37.8m), including the recently announced interest in the Labrador Iron Ore Royalty Corporation ("LIORC").

Underlying performance

Our success over the past 18 months has been underpinned by the strong performance of the prices of the commodities from which our revenue is derived. Our commodity exposure is not currently being impacted by the recent global trade wars playing out between the US and developing economies.

Both thermal coal and vanadium, two of our most recent additions, are currently at five-year highs. Coking coal prices have remained higher than the long-term consensus price point of US$150/t. The outlook for the remainder of the year remains positive and is expected to enable us to report further growth in revenue for 2018 as a whole.

We are seeing a shift in demand towards high quality, low polluting premium products. This has been particularly evident in coal prices of late. The more developed economies in Asia are increasingly turning towards higher quality, lower polluting coal, mainly from Australia, as they see this as a quicker remedy to pollution and internal CSR issues. Although out of favour in Western economies, thermal coal should continue to play an important, if not key, role in the energy needs of developing countries, particularly in Asia. In the medium-term, the coal price seems to be well supported from increased demand in Asia.

We see this shift to premium as a feature of the industry which is likely to endure. This is one of the key reasons why we were attracted to the LIORC, as its underlying operation produces pellets with low alumina, silica and phosphorous content.

We are also starting to see a clamp down on operations with sub-standard environmental records and CSR practices, particularly in China. Vanadium has benefitted from this as it is often a by-product in iron ore operations, a number of which have been shut in China due to CSR concerns. Vanadium is also benefitting from higher demand due to the Chinese authorities increasing the rebar standard in steel for use in construction, again due to CSR and environmental pressures. Vanadium is also likely to benefit from its alternative use in large energy storage solutions. We remain very positive on the outlook for higher vanadium prices, which have already contributed to our H1 2018 income.

In addition to favourable pricing, the other significant event of note in the period was the change of ownership of Kestrel, which completed at the beginning of August when a joint venture comprising EMR Capital (a prominent Australian based private equity resource manager) and Adaro (one of the largest global coal producers) acquired the mine from Rio Tinto. We were very pleased to see the announcement by Adaro at the end of May 2018 in which they signalled their intent to double production at Kestrel over the next two to three years. We are very encouraged about this development given that this period coincides with mining being within our private royalty land as this would lead to a material increase in our royalty income.

The combination of higher prices and the potential for significant volume growth at Kestrel should result in further organic growth for Anglo Pacific for the remainder of 2018 and beyond.

Diversification and transformation

The growth in revenue in the first half has led to further strong cash generation which we have deployed to enhance our future income. We have, as of today, invested US$51.0m (£37.8m) in royalty-based acquisitions so far this year, in both income producing investments and those which could provide significant future growth.

Our largest investment was the 4.25% stake we acquired in LIORC for US$50.0m (£37.0m) and represents a significant step in our aim to diversify our exposure to coal whilst increasing our footprint in North America from 13% to 26% by asset value.

LIORC is structured as a passive flow-through entity for its 7% Gross Revenue Royalty ("GRR"), its entitlement to a C$0.10 per tonne commission on all iron ore products sold, and 15.1% equity position in the Iron Ore Company of Canada ("IOC"). LIORC has a policy of paying quarterly cash dividends to the maximum extent possible subject to the maintenance of appropriate levels of working capital. LIORC declared dividend payments of C$169.6 million in 2017 and is currently trading at a historical 2017 dividend yield of ~11%.

This is aligned with our strategy of investing in high quality products, well-established jurisdictions, long mine life and Tier-1 operators, such as Rio Tinto. This operation has a long track record of production, a 25 year mine life and has the potential for significant mine life extensions.

Based on current LIORC broker consensus dividend forecasts and Anglo Pacific's 4.25% LIORC shareholding we expect to receive ~C$4.7 - C$5.7m of royalty related revenue in 2019, with the investment in H1 2018 contributing £0.1m of income as the vast majority of the stake was acquired in Q3 2018. The acquisition also significantly reduces our exposure to coking coal from 46% to 42% (based on asset carrying values at 30 June 2018) and reduces our exposure to Australia from 70% to 64% whilst increasing our exposure to North America from 18% to 26% (also based on asset carrying values at 30 June 2018).

Our second acquisition was the US$1.0m (£0.8m) acquisition of a 0.5% NSR royalty over the Canariaco project in Peru owned by Candente Copper Corp. This acquisition falls into our secondary strategy of investing modest amounts into development opportunities which have the potential to offer higher returns in the long-term. This is a copper royalty and is in line with our objective to invest in commodities closely aligned to the growth in the electric vehicle story.

We are very pleased to have executed two acquisitions to date this year and are actively working on other opportunities which would complement and diversify our now enlarged portfolio of 14 principal royalties.

Financing

Importantly, the investments we have made so far this year were financed entirely from the Group's balance sheet, without the need to raise equity. This is a good example of how we intend to use the strong cash flow from Kestrel, along with our bank facilities, to invest in long-life assets whilst also reducing our exposure to coal. To date we have drawn £17.3m on our US$40.0m (£24.0m) facility to finance these acquisitions, but we expect this amount to be repaid in full by the end of the year.

We have commenced the process of refinancing and upsizing our existing bank facility which will provide greater flexibility for financing further royalty acquisitions. We hope to complete this in Q3 2018.

Dividend

As previously communicated to the market, we will review the overall dividend level for 2018 in Q1 2019 once our full year revenue has been confirmed, along with the outlook for 2019. In the meantime, the interim quarterly payment of 1.625p per share remains unchanged and the next payment will be the Q2 2018 dividend which will be paid on 15 November 2018.

Outlook

We are very pleased with our performance to date in 2018. We have seen income from our royalty portfolio continue to grow, translating into strong free cash flow which has been reinvested in two acquisitions. With documentation of a new larger borrowing facility well advanced we will soon have even greater financial flexibility to fund further growth. We look forward to the remainder of 2018 with cautious confidence given the outlook for commodity prices, particularly for premium products. This should lead to us reporting another year of growth in 2018 with the potential for significant production increase at Kestrel in the coming years.

PORTFOLIO REVIEW

H1 2018 has been strong operationally for our royalties, albeit with some variability. Maracás Menchen has no doubt been a clear highlight whilst Narrabri volumes have continued to be impacted by geotechnical issues which are expected to persist through the next two longwall panels. Kestrel had a strong Q2 2018 to make up for a slightly disappointing Q1, but the real highlight is to come when the new owners commence their plans to double production. EVBC, which has had its challenges over the past few years had an excellent operational result in H1 2018 and they are currently investing in expansion. Four Mile has continued to disappoint and it very much looks like this dispute will need to be resolved through litigation.

Kestrel

The underlying performance at Kestrel was encouraging in the first half of 2018, with revenue some 12.9% higher than in the same period in 2017. Production was impacted in Q1 2018 by a longer than usual longwall changeout, but volumes more than doubled in the second quarter. The outlook from Kestrel for the remainder of the year looks encouraging with the guidance from Rio Tinto suggesting that volumes in H2 2018 will be higher than those in H2 2017.

The most noteworthy event in the period was the sale of Rio Tinto's 80% interest in Kestrel to a joint venture between EMR and Adaro, which completed at the start of August, for US$2.25bn - some 50% higher than most analysts were expecting.

Although Rio Tinto has done a very good job in operating the mine, we see this change of ownership as a very positive event for Anglo Pacific as it is likely that the new owners will be motivated to significantly increase production. They have signalled this intent to the market in an announcement in May, when Adaro indicated that they will be looking to double production in the next two to three years. Clearly this would have a significant impact on the Group's revenues given that virtually all production from Kestrel in this time period is within the Group's private royalty land.

We have had several meetings with the new owners and look forward to working with them in a collaborative manner going forward. In the meantime, we have the same contractual rights which we had previously.

Maracás Menchen

Although Kestrel continues to represent a significant portion of our income, arguably Maracás Menchen was the standout performer in the first six months of 2018.

Largo had a very good operational performance in H1 2018, producing 4,672 tonnes of vanadium pentoxide, an increase of 10% compared to H1 2017. The first quarter saw a lower overall level of production due to premature wearing of the cooler refractory. Upon mending, volumes returned to their previous high levels and the second quarter was particularly encouraging as they increased the recovery rate to 79.2% from 72.6% in the corresponding quarter in 2017. Largo also took advantage of the truckers strike in Brazil in May to conduct repair and maintenance work at the plant, although they still anticipate a seven-day shutdown in Q4 2018 to conduct maintenance works at the kiln. Production volumes in Q2 2018 of 2,458 tonnes were 12.5% higher than Q2 2017, and they achieved a new daily average production record in June at 29.4 tonnes per day.

The outlook for the remainder of the year continues to be positive. Production volumes have stabilised, and Largo is now targeting an increase in its monthly production from 800 tonnes to 1,000 tonnes. Work has already commenced on the enhancements required to process this, and they are hoping to see this completed by June 2019, when they expect the production increases to commence.

Although pricing is still relatively opaque, the risk to pricing does seem to be on the upside at present. This is mainly due to limited supply side reaction, increased rebar standards in China and the increased demand for vanadium for use in battery storage in the future.

Narrabri
Volumes were down ~30% in the first half of 2018 as Whitehaven continue to mine through the previously announced volcanic intrusion, which is expected to last through the next two longwall panels.

Although the rate of mining has slowed somewhat due to these temporary technical issues described above, this has been somewhat offset by the continued strength in the thermal coal price, which was on average 18% higher in the first half of 2018. Whitehaven continue to see strong demand for their premium high-quality low polluting coal, especially in the Asian region. This has also been reflected in the forward consensus price deck, with the long-term price showing an increase of 14% since the beginning of the year, and most commentators consider the near-term fundamentals for thermal coal to remain positive.

Whitehaven revised down their FY 2019 (July 2018 - June 2019) guidance to between 6.5-6.8Mt from 7.7Mt previously and 5.6-6.0Mt in FY 2020, the latter being the last occasion when they expect to have to navigate around the fault, which will see an additional longwall changeover as they do so.

Four Mile
We remain frustrated by the level of deductions being applied to our royalty income by the operator, Quasar Resources. We hope to make some progress in resolving this dispute in the second half of the year and have fully engaged experts to assist us in preparation for litigation.

EVBC
Orvana announced that gold production increased by 11% during Q2 2018 to the highest level achieved since 2014. Despite the production increases, Orvana did reduce their FY 18 guidance for gold production from a mid-point of 68,500oz to a mid-point of 58,500oz.

In addition to higher levels of production, the plans to improve efficiency are now really starting to come through, with grade increasing by 43% in Q2 2018 compared to Q2 2017. Orvana also announced that it intends to recommence mining in a section of the Carles mine in the next few months. This investment could result in some upside to the mine life at the operation for what has always been a very consistent royalty for the Group.

McClean Lake

Cash flow from our Denison financing arrangement, which receives the McClean Lake toll revenue, was consistent in the first half of 2018 and averaged ~C$0.5m per month, in line with that received in H1 2017. This financing arrangement was entered into at the end of February 2017, so H1 2018 is not comparable to H1 2017.

Although the uranium price has experienced some volatility in the recent past, our income from this investment is unaffected as it is a $/lbs toll on ore processed through the McClean Lake Mill and should, all things being equal, be relatively consistent month on month.

Indo Mines

As previously announced, Anglo Pacific received US$2.5m in H1 2018 in final settlement of its outstanding debenture with Indo Mines. Anglo Pacific entered into a US$4m 8% secured debenture in 2009. Given the challenges which the project encountered, Anglo Pacific commenced discussions with the majority shareholder of Indo Mines in 2017 which ultimately culminated in a takeover, including the Group's outstanding debenture. As a result, the Group received US$4.9m over the life of the debenture and represents a highly satisfactory exit considering the many challenges which the project has faced.

Salamanca

Progress continues at Berkeley Energia's Salamanca uranium project in Spain. With construction finance now fully in place, and capex savings being identified, the only barriers to production are now in the final permitting stages. This will be the Group's next income producing royalty from within our portfolio and we remain significant equity holders along with our royalty position.

FINANCE REVIEW

The first half of 2018 has seen continued growth in the Group's income and profitability. Profit after tax swung from a loss of £2.5m in H1 2017 to a profit of £13.0m in H1 2018. This resulted in free cash flow of £17.9m and adjusted earnings of 8.56p per share.

This outcome is largely due to the continued strength of the prices of the commodities from which the Group's revenue is derived. The outlook for commodity prices has also improved, with the forward price curve for both thermal and coking coal considerably higher than at the beginning of the year. This has had a positive impact on the balance sheet, with the Kestrel valuation remaining largely unchanged, despite the quantum of royalty income received. The Group has also invested US$51.0m (£37.8m) in acquisitions and is in the process of increasing our bank facility, leaving us well placed to finance further acquisitions in the second half of the year and beyond.

Adjusted earnings

Adjusted earnings were £15.4m in the first half of 2018, compared to £12.9m in the comparable period in 2017. This translates into adjusted earnings per share of 8.56p for the half year, resulting in dividend cover of 2.6x (refer to notes 6 and 7).

	H1 2018	H1 2017	H1 2016

Royalty revenue	**19,077**		17,043		4,075
EVBC income (included in valuation of financial instruments)	**1,003**		-		-
Operating expenses - excluding share-based payments	**(2,452)**		(2,512)		(1,423)
Finance costs	**(354)**		(14)		(423)
Finance income	**71**		6		70
Other (losses)/income	**-**		-		1,311
Tax	**(1,964)**		(1,622)		(1,202)
Adjusted earnings	**15,381**	19.2%	12,901	435.7%	2,408
Weighted average number of shares ('000)	**180,006**		173,370		169,016
Adjusted earnings per share	**8.56p**	15.1%	7.44p	422.3%	1.42p

The introduction of IFRS 9 at the beginning of the year has impacted the way in which EVBC royalty receipts are presented in the Income Statement. Despite the income being a prescribed percentage of revenue, the various equity conversion rights associated with the initial investment resulted in the asset being considered a financial asset. Previously, the royalty was accounted for as an IAS 32 available-for-sale equity financial asset, whereby the royalty income was recognised and included within revenue. Upon transition to IFRS 9, the royalty income is accounted for as repayment of the balance sheet carrying value and only the revaluation of the future cash flows is recognised in the Income Statement.

Given this change, we decided to revise our definition of adjusted earnings to include the portion of the valuation movement which is attributable to the royalty income in the period, with non-cash revaluation movements continuing to be excluded. This achieves consistency with the previous years, when EVBC receipts were included as royalty revenue, and reflects the way in which management monitor performance and report income internally.

Revenue

Overall, income increased by 20% in the first half of 2018. Kestrel continues to represent a significant portion of our revenue, although its portion of overall revenue has fallen to ~68% given the contribution from Denison and Maracás Menchen during the first half.

H1 income analysis	**2018**		2017		2016
	£'000	**% Mvt**	£'000	**% Mvt**	£'000
Kestrel	14,225	12.9%	12,604	796.6%	1,406
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Total portfolio income	20,821	20.1%	17,339	285.4%	4,499

1 EVBC income as previously reported under IAS 32
2 EVBC income upon transition to IFRS 9 (see definition of adjusted earnings on page 3)

- Kestrel

Royalty income from Kestrel increased by 12.9% in the period. This was largely a function of a 9.5% increase in the average price achieved in the period. The higher price also resulted in a higher weighted average royalty rate of 11% in H1 2018. Although overall volumes from Kestrel were broadly flat, there was considerably more production within the Group's private royalty land in H1 2018 (96%) compared to H1 2017 (88%). At the higher prices noted above, this also resulted in a significant increase in revenue. The guidance from Rio Tinto suggests that this trend is expected to continue in the second half of 2018. These gains were offset somewhat by translating this revenue back into pounds at less favourable rates (H1 2018: 1.7837; H1 2017: 1.6497).

- Maracás Menchen

Income from Maracás Menchen increased by 171% to £2.1m in the period compared to H1 2017. Income in the first half of 2018 is already in excess of that earned in 2017 as a whole. This was mainly driven by a significant increase in the price of vanadium pentoxide (average price of US$15.44/lbs in H1 2018 vs US$4.97/lbs in H1 2017), along with a ~9% increase in sales volumes. Largo's operating costs are currently US$4.97/lbs, which generate significant margins at the current spot price, which is in excess of US$18/lbs.

- Narrabri

Income from Narrabri fell by 22.6% in H1 2018, reflecting lower volumes due to the persistent geotechnical issues being experienced in part of the deposit. It is expected that this issue, which is localised to a specific section of each longwall panel, will continue through the next few panels. This is resulting in slower mining at present, although the ~30% fall in volumes was partly made up for by the 18% increase in average price achieved, reflecting the recent strength in thermal coal prices to a five-year high on the back of a shift in demand to more premium product.

- Denison

Income from Denison has been consistent, with the variance being attributable to the financing arrangement being in place for the entire six months in 2018 whereas the transaction was only completed at the end of February 2017. On average, monthly revenue was ~C$0.5m, which is in line with that received in H1 2017. The Denison financing arrangement is structured as a 10% secured loan, and as such the cash received represents both interest and loan repayment. It is only the interest component which is included in our income statement and adjusted earnings.

- Four Mile

The Group received £51k of royalty income in H1 2018. This remains far below the levels which we consider should be payable in accordance with the royalty contract. We are pursuing our rights in relation to this difference of opinion, and hope to progress the matter in H2 2018.

- EVBC

Income from EVBC increased by 23.1% in the first half of the year as gold production was considerably higher. EVBC have invested in growth and efficiency over the past 24 months or so, which has resulted in higher grade ore being processed at the plant along with the recent announcement of the recommencement of mining in a targeted area of the Carles mine.

- LIORC

Our entitlement to the Q2 2018 LIORC dividend based on the shares we had accumulated to 30 June 2018 was £0.1m and was received in July. This is included within revenue as the vehicle which we have invested in is effectively a single asset pass through vehicle to the operations of the Iron Ore Company of Canada. Management consider this acquisition to be akin to a part ownership of the underlying royalty. The shares are not held for trading.

<u>Currency</u>

The results for the first half of 2018 were impacted by the strengthening of the pound, certainly compared to the same period in 2017. Most of the Group's revenue is still received in Australian dollars. The GBP:AUD rate was, on average, 1.7837 in H1 2018 compared to 1.6497 in the same period in 2017. Applying the 2017 average rate to the Group's Australian revenue would have resulted in an additional £1.2m of total income. The Group does enter into forward foreign exchange contracts in order to mitigate against the volatility of underlying exchange rates.

The strength of the pound at 30 June 2018 was before the recent impasse in relation to Brexit, which has seen the pound fall by ~ 6% against most dollar currencies. There is a view that the pound could now remain weak, especially as the March 2019 deadline approaches without progress. Although this would likely have adverse consequences for the UK economy generally, the weakness of the pound would benefit the Group's revenue.

<u>Other items</u>

Elsewhere, overheads remained relatively flat in the first six months of the year. The increase in finance income is due to holding higher cash balances in Australian dollars during H1 2018, although there will be significantly less finance income in H2 2018 as our cash has been used to finance the LIORC investment.

Finance costs have increased in the period, although the vast majority of this increase is due to foreign exchange being included here. This showed a gain of £385k in H1 2017 compared to a loss of £136k in H1 2018. Otherwise, the costs in 2018 mainly relate to the amortisation of the arrangement fees associated with the refinance in February 2017.

<u>Tax</u>

The relatively low current tax rate of 8.7% (when assessed on adjusted earnings) is due to the utilisation of the remaining trading losses which the Group accumulated over the past number of years. These losses have now been used in full and, as such, the tax provision for H2 2018 is likely to be significantly higher.

All of the above has resulted in adjusted earnings of £15.4m for H1 2018, which is 19% higher than H1 2017. This translates to adjusted earnings per share of 8.56p compared to 7.44p in H1 2017.

Profit after tax

The higher commodity prices seen over the past twelve months, in addition to the increases seen in the consensus forward price estimates, has resulted in favourable valuation movements and fewer impairment charges in the Income Statement.

Included within valuation movements in H1 2017 was a fair value charge of £3.9m, mainly in relation to the Dugbe 1 royalty, whereas this was a surplus of £0.8m in the current year. The larger item is the fair value of the Kestrel royalty. The impact of a higher consensus price input at H1 2018 has led to a gain of £1.8m compared to a loss of £11.1m in H1 2017. There is a corresponding entry in deferred tax for these valuation movements.

Other gains include the £1.7m profit on the sale of the Indo Mines debenture as part of the takeover by the majority shareholder in Q2 2018.

This has resulted in the overall profit after tax switching from a loss of £2.5m in H1 2017 to a profit of £13.0m in H2 2018.

Balance Sheet

Overall, net assets remain largely unchanged from the start of the year at £217.1m equating to 120p per share. Ordinarily, the higher the level of production the higher the level of depletion would be expected on the balance sheet, particularly for Kestrel. However, this was not the case at June 2018, for the reasons discussed below.

Fig 1: Net Asset Reconciliation

http://www.rns-pdf.londonstockexchange.com/rns/6248Y_1-2018-8-22.pdf

Kestrel valuation

Given that depletion and price movements have largely netted out, the £1.4m decrease in the value of the asset was actually due to translating it at a less favourable rate at June 30, 2018 compared to the end of 2017.

Despite earning £14.2m from Kestrel in H1 2018, the asset only decreased in value by £1.4m (pre-deferred tax credit of £0.4m, net impact on the balance sheet of £1.0m). This was largely because the forward consensus commodity price deck, a key input for the Kestrel valuation, has been gradually increasing month on month throughout H1 2018, indicating that the high prices experienced over the past 24 months are based on more sustainable factors than previously thought i.e. Chinese environmental policy.

The forward price deck has shown consistent increases month on month so far in 2018. The price expectation for 2019 is now 34% higher than was anticipated at this stage last year, and 17% higher than at the beginning of the year. As a result, despite significant income and depletion at Kestrel, the valuation has held largely unchanged from the beginning of the year. As noted above, the new owners intend to double production levels in the next two to three years. This would have a material impact on the valuation of the royalty due to the acceleration of the cash flow above and beyond the current expectations. This is not included in the current valuation.

Other non-current assets

The £13.9m increase in royalty financial instruments is largely attributable to the LIORC acquisition. Although the Group has now invested £37.0m (US$50.0m), at the end of June it had only acquired £14.3m.

The £1.7m reduction in the Group's intangible portfolio reflects the systematic amortisation of those royalties which are in production, along with some currency movements. This number does not include the significant valuation upside which we believe is inherent in the Narrabri and Maracás Menchen royalties, with both thermal coal and vanadium pentoxide prices at five-year highs.

The reduction in other receivables reflects the portion of the Denison cash flows which are treated as repayment of principal.

Other items
Cash and borrowings will be discussed in more detail below. Elsewhere, trade receivables represent accrued royalty revenue at the quarter end, and was received in full in July 2018. The limited movement in the deferred tax liability largely reflects the Kestrel valuation decrease.

The increase in trade and other payables reflects the provision of the second tranche of the Maracás Menchen deferred consideration of US$1.5m. This is now considered probable given that Largo have announced that they are targeting monthly throughput of 1,000 tonnes.

Cash and borrowings
Cash generation was strong once again in the first six months of 2018. Free cash flow generated of £17.9m is a slight reduction on the £18.9m generated in the first six months of 2017, although H1 2017 benefitted from the £1.7m of Denison receipts which related to H2 2016.

Fig 2: Cashflow Waterfall H1 2018
http://www.rns-pdf.londonstockexchange.com/rns/6248Y_1-2018-8-22.pdf

In terms of capital allocation, the Group invested almost twice as much cash (£13.9m) in acquisitions compared to dividend payments (£7.2m). This investment number excludes the £0.8m Canariaco copper royalty which was financed using Anglo Pacific shares.

The Group had net cash of £5.2m at 30 June 2018. We had drawn £6.0m on our borrowing facility at 30 June 2018 in order to fund further LIORC additions at the beginning of July. The acquisition was completed in mid-August, at which stage we had drawn down a total of £17.3m (~US$22.0m).

2018 has been a transformational year for Anglo Pacific in some respects. We have made US$51.0m (£37.8m) in acquisitions without having to undertake an equity raise. LIORC is immediately accretive, and we would expect to be able to repay our borrowings in full by the end of the year.

Given the strong performance of the underlying portfolio, the sustained higher commodity prices (particularly for premium quality products) and the potential for meaningful volume growth at Kestrel, we have decided to refinance our borrowing facility in order to provide us with greater financial flexibility for further growth opportunities.

With a soon to be refinanced facility, strong cash generation and disciplined cost control, we believe that we have significant liquidity available to us to finance future acquisitions without necessarily having to come to the equity market. This is important as it significantly strengthens our position in royalty negotiations and allows us to be opportunistic should royalty opportunities arise at short notice.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a variety of risks and uncertainties which may have a financial, operational or reputational impact on the Group. The principal risks and uncertainties facing the Group at the year-end were set out in detail in the strategic report section of the 2017 Annual Report and Accounts and have not changed significantly since. The principal risks relate to the following:

- Commodity prices
- Political and regulatory
- Production

The Group is exposed to changes in the economic environment, as with any other business. Details of any key risks and uncertainties specific to the period are covered in the Investment Review and Finance Review sections.

The 2017 Annual Report and Accounts is available on the Group's website www.anglopacificgroup.com

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a true and fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors are listed in the Annual Report of 31 December 2017 and a list of the current Directors is maintained on the Anglo Pacific website: www.anglopacificgroup.com. The maintenance and integrity of this website is the responsibility of the Directors.

On behalf of the Board

J.A. Treger
Chief Executive Officer
22 August 2018

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended	
		30 June 2018	**30 June 2017**
	Notes	**£'000**	**£'000**
			(As restated*)
Royalty related revenue	2, 17	19,077	17,043
Amortisation of royalties	10	(1,489)	(1,568)
Operating expenses		(3,123)	(3,039)
Operating profit before impairments, revaluations and gain/(losses) on disposals		**14,465**	**12,436**
Gain on sale of mining and exploration interests	11	-	28
Revaluation of royalty financial instruments	9	752	(3,866)
Revaluation of coal royalties (Kestrel)	8	1,794	(11,062)
Finance income	3	71	6
Finance costs	4	(354)	(14)
Other gains/(losses)	5	1,854	(555)
Profit/(Loss) before tax		**18,582**	**(3,027)**
Current income tax charge		(1,491)	(1,151)
Deferred income tax (charge)/credit		(4,084)	1,646

	Notes		
Profit/(Loss) attributable to equity holders		**13,007**	**(2,532)**
Total and continuing earnings/(loss) per share			
Basic earnings/(loss) per share	6	7.24p	(1.46p)
Diluted earnings/(loss) per share	6	7.23p	(1.46p)

* The Group has revised its definition of revenue to include all royalty related revenue arising in the course of the Group's ordinary activities. As a result, the presentation of the comparative income statement has been restated to show an additional £959,000 of income in revenue, which was previously included in finance income. Refer to notes 2 and 3.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended	
		30 June 2018	30 June 2017
	Notes	£'000	£'000
Profit/(Loss) attributable to equity holders		**13,007**	**(2,532)**
Items that will not be reclassified to profit or loss		-	-
Items that have been or may be subsequently reclassified to profit or loss			
Changes in the fair value of equity investments held at fair value through other comprehensive income			
Revaluation of equity investments	11	(3,598)	(3,033)
Reclassification to income statement on disposal of equity investments		-	(28)
Deferred tax relating to items that have been or may be reclassified	14	(147)	541
Net exchange (loss)/gain on translation of foreign operations		(5,204)	1,501
Other comprehensive loss for the year, net of tax		**(8,949)**	**(1,019)**

Total comprehensive income/(loss) for the period		**4,058**	**(3,551)**

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2018

	Notes	30 June 2018 £'000	Audited 31 December 2017 £'000	30 June 2017 £'000
Non-current assets				
Property, plant and equipment		35	44	61
Coal royalties (Kestrel)	8	102,874	104,266	107,480
Royalty financial instruments	9	24,808	10,867	10,647
Royalty and exploration intangible assets	10	75,683	77,421	79,386
Mining and exploration interests	11	12,111	16,431	14,608
Deferred costs		258	689	1,492
Other receivables	12	19,921	21,259	21,768
Deferred tax	14	2,023	5,484	6,514
		237,713	236,461	241,956
Current assets				
Trade and other receivables		8,781	8,702	9,066
Derivative financial instruments		-	100	169
Cash and cash equivalents		11,155	8,099	5,627
		19,936	16,901	14,862
Total assets		**257,649**	**253,362**	**256,818**
Non-current liabilities				
Borrowings	13	5,815	-	6,090
Other payables		496	418	338
Deferred tax	14	31,192	31,507	32,503

		37,503	31,925	38,931
Current liabilities				
Income tax liabilities		-	5	465
Derivative financial instruments		42	-	-
Trade and other payables		2,981	2,495	7,867
		3,023	2,500	8,332
Total liabilities		**40,526**	**34,425**	**47,263**
Net assets		**217,123**	**218,937**	**209,555**
Capital and reserves attributable to shareholders				
Share capital	15	3,628	3,618	3,618
Share premium	15	62,741	61,966	61,966
Other reserves		56,461	64,752	63,045
Retained earnings	16	94,293	88,601	80,926
Total equity		**217,123**	**218,937**	**209,555**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2017

			Other reserves								
	Share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	3,399	49,211	29,134	143	10,708	2,016	23,568	632	(2,601)	93,928	210,138
Loss for the period	-	-	-	-	-	-	-	-	-	(2,532)	(2,532)
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	(3,033)	-	28	-	-	-	(3,005)
Transferred to income statement on disposal	-	-	-	-	(28)	-	-	-	-	-	(28)
Transferred to income statement on impairment	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	541	-	-	-	-	-	541
Foreign currency translation	-	-	-	-	-	-	1,473	-	-	-	1,473
Total comprehensive loss	**-**	**-**	**-**	**-**	**(2,520)**	**-**	**1,501**	**-**	**-**	**(2,532)**	**(3,551)**
Dividends	-	-	-	-	-	-	-	-	-	(10,470)	(10,470)
Issue of ordinary shares	219	12,755	-	-	-	-	-	-	-	-	12,974
Value of employee services	-	-	-	-	-	464	-	-	-	-	464
Total transactions with owners of the company	**219**	**12,755**	**-**	**-**	**-**	**464**	**-**	**-**	**-**	**(10,470)**	**2,968**
Balance at 30 June 2017	**3,618**	**61,966**	**29,134**	**143**	**8,188**	**2,480**	**25,069**	**632**	**(2,601)**	**80,926**	**209,555**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

			Other reserves								
	Share capital £'000	**Share premium £'000**	**Merger reserve £'000**	**Warrant reserve £'000**	**Investment revaluation reserve £'000**	**Share based payment reserve £'000**	**Foreign currency translation reserve £'000**	**Special reserve £'000**	**Investment in own shares £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 30 June 2017	3,618	61,966	29,134	143	8,188	2,480	25,069	632	(2,601)	80,926	209,555
Profit for the period	-	-	-	-	-	-	-	-	-	13,059	13,059
Other comprehensive income:											
Available-for-sale investments											
Valuation movement taken to equity	-	-	-	-	5,266	-	(20)	-	-	-	5,246
Transferred to income statement on disposal	-	-	-	-	(1,746)	-	-	-	-	-	(1,746)
Transferred to income statement on impairment	-	-	-	-	219	-	-	-	-	-	219
Deferred tax	-	-	-	-	(200)	-	1	-	-	-	(199)
Foreign currency translation	-	-	-	-	-	-	(2,365)	-	-	-	(2,365)
Total comprehensive income	**-**	**-**	**-**	**-**	**3,539**	**-**	**(2,384)**	**-**	**-**	**13,059**	**14,214**
Dividends	-	-	-	-	-	-	-	-	-	(5,399)	(5,399)
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-
Value of employee services	-	-	-	-	-	552	-	-	-	15	567
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**552**	**-**	**-**	**-**	**(5,384)**	**(4,832)**
Balance at 31 December 2017	**3,618**	**61,966**	**29,134**	**143**	**11,727**	**3,032**	**22,685**	**632**	**(2,601)**	**88,601**	**218,937**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

			Other reserves								
	Share capital £'000	Share premium £'000	Merger reserve £'000	Warrant reserve £'000	Investment revaluation reserve £'000	Share based Payment Reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	3,618	61,966	29,134	143	11,727	3,032	22,685	632	(2,601)	88,601	218,937
Adjustment for transition to new accounting standards	-	-	-	-	477	-	-	-	-	(527)	(50)
Restated opening balance	3,618	61,966	29,134	143	12,204	3,032	22,685	632	(2,601)	88,074	218,887
Profit for the period	-	-	-	-	-	-	-	-	-	13,007	13,007
Other comprehensive income: Changes in fair value of equity investments held at fair value through other comprehensive income											
Valuation movement taken to equity	-	-	-	-	(3,598)	-	(65)	-	-	-	(3,663)
Deferred tax	-	-	-	-	(147)	-	-	-	-	-	(147)
Foreign currency translation	-	-	-	-	-	-	(5,139)	-	-	-	(5,139)
Total comprehensive income	**-**	**-**	**-**	**-**	**(3,745)**	**-**	**(5,204)**	**-**	**-**	**13,007**	**4,058**
Transferred to retained earnings on disposal	-	-	-	-	(397)	-	-	-	-	397	-
Dividends	-	-	-	-	-	-	-	-	-	(7,200)	(7,200)
Issue of ordinary shares	10	775	-	-	-	(15)	-	-	-	15	785
Value of employee services	-	-	-	-	-	593	-	-	-	-	593
Total transactions with owners of the company	**10**	**775**	**-**	**-**	**(397)**	**578**	**-**	**-**	**-**	**(6,788)**	**(5,822)**
Balance at 30 June 2018	**3,628**	**62,741**	**29,134**	**143**	**8,062**	**3,610**	**17,481**	**632**	**(2,601)**	**94,293**	**217,123**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	30 June 2018 £'000	30 June 2017 £'000 (As restated*)
Cash flows from operating activities			
Profit/(Loss) before taxation		18,583	(3,027)
Adjustments for:			
Finance income	3	(71)	(6)
Finance costs - excluding foreign exchange gains/losses	4	218	399
Other (gains)/losses	5	(1,854)	555
Gain on disposal of mining and exploration interests		-	(28)
Revaluation of royalty financial instruments	9	(752)	3,866
Revaluation of coal royalties (Kestrel)	8	(1,794)	11,062
Depreciation of property, plant and equipment		14	17
Amortisation of royalty intangible assets	10	1,489	1,568
Share based payment		671	527
Proceeds from royalty financial instruments	9	296	-
		16,800	14,933
Decrease in trade and other receivables		378	3,039
Decrease in trade and other payables		(650)	(44)
Cash generated from operations		16,528	17,928
Income taxes paid		(1,600)	(1,129)
Net cash generated from operating activities		**14,928**	**16,799**
Cash flows from investing activities			
Proceeds on disposal of mining and exploration interests	11	612	36
Proceeds on disposal of royalty financial instruments	9	1,720	-
Purchases of royalty financial instruments	9	(13,915)	-
Advances under commodity related financing agreements	12	-	(26,644)

	Note		
Repayments under commodity related financing agreements	12	741	2,465
Prepaid acquisition costs		-	(139)
Finance income	3	71	6
Net cash used in investing activities		**(10,771)**	**(24,276)**
Cash flows from financing activities			
Drawdown of revolving credit facility	13	6,000	7,501
Repayment of revolving credit facility	13	-	(7,320)
Proceeds from issue of share capital	15	35	13,700
Transaction costs of share issue		-	(726)
Dividends paid	7	(7,200)	(5,071)
Finance costs - excluding foreign exchange gains/losses	4	(218)	(399)
Net cash (used in)/generated from financing activities		**(1,383)**	**7,685**
Net increase in cash and cash equivalents		**2,774**	**208**
Cash and cash equivalents at beginning of period		**8,099**	**5,331**
Unrealised foreign currency gain		282	88
Cash and cash equivalents at end of period		**11,155**	**5,627**

* The Group has revised its definition of revenue to include all royalty related revenue arising in the course of the Group's ordinary activities. As a result, the presentation of the comparative statement of cash flows has been restated to show an additional £959,000 of net cash generated from operating activities, which was previously included in cash flows from investing activities. Refer to notes 2 and 3.

NOTES TO THE ACCOUNTS

1. Basis of preparation

These condensed consolidated interim financial statements of Anglo Pacific Group PLC are for the six months ended 30 June 2018. They have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

This condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017 were approved on 27 March 2018. Those accounts, which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

1.2 Going concern

The financial position of the Group and its cash flows are set out on pages 17 to 21. As at 30 June 2018, the Group had cash and cash equivalents of £11.2m and £6.0m (US$7.9m) in gross borrowings (note 13) following the partial draw down on its revolving credit facility (31 December 2017: nil) with access to a further £18.0m (US$32.1m) in undrawn funds under the same facility.

After making enquiries and reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within the level of its current facilities for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.3 Alternative Performance Measurers

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management makes reference to Alternative Performance Measures (APMs) of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. Further information on APMs is provided on page 3 and 4 of these condensed consolidated interim financial statements.

1.4 Changes in accounting policies

The accounting policies applied in these condensed interim financial statements are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for changes arising from the adoption of the following significant new accounting pronouncements which became effective in the current reporting period:

IFRS 9 '*Financial Instruments*'

The Group has adopted IFRS 9 'Financial Instruments' with effect from 1 January 2018. Information on the implementation of IFRS 9 is included in the Group's consolidated financial statements for the year ended 31 December 2017 - Note 3.1.2 Changes in accounting policies and disclosures. The Group has elected not to restate the comparatives for the adoption of IFRS 9.

The overall impact on net assets from the transition to IFRS 9 was a reduction in opening net assets of £50,000 to £218,887,000 due to the recognition of expected credit losses. The adoption of IFRS 9 will have impacts on the following throughout the current financial year:

Impairment: The standard introduces an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost. The Group's primary asset held at amortised cost is the interest-bearing loan to Denison Mines (note 12) and the expected credit losses at 1 January 2018 and 30 June 2018 were £50,000 and £77,000 respectively.

Classification and measurement: The measurement and accounting treatment of the Group's financial assets is materially unchanged on application of the new standard with the exception of mining and exploration interests previously categorised as available-for-sale and royalty financial instruments previously categorised as available-for-sale equity financial assets.

Mining and exploration interests are now held at fair value through other comprehensive income, with the effect that the gains and losses on disposal and impairment losses are no longer recycled from reserves to the income statement for this category of asset. There is no impact to the net assets of the Group at 1 January 2018. In the six months ended 30 June 2018 mining and exploration interests were disposed with historical gains of £397K transferred to retained earnings rather than the income statement, following the adoption of IFRS9 (note 11).

Royalty financial instruments (with the exception of Labrador Iron Ore - see "Changes to revenue presentation" below) are now held at fair value through profit or loss, meaning they are held at fair value on the balance sheet, with fair value movements taken through the income statement rather than reserves. Historical gains of £477k (net of deferred tax) recognised in the investment revaluation reserve as of 1 January 2018 have been reclassified to retained earnings on adoption of IFRS9 (note 9).

Royalty income from these assets is no longer recognised as revenue in the income statement and instead reduces the fair value of the asset. There is no impact to the net assets of the Group at 1 January 2018. In the six months ended 30 June 2018 royalties from the Group's EVBC royalty of £1,003k were deducted from the investment carrying value (rather than being recognised as royalty income) and a non-cash revaluation gain of £324k was instead recognised in the income statement, following the adoption of IFRS9.

IFRS 15 '*Revenue from Contracts with Customers*'

The Group adopted IFRS15 with effect from 1 January 2018 with no change arising to the Group`s revenue recognition.

The Group's royalty income is derived from three sources: assets accounted for as investment property (Kestrel) under IAS 40, assets at fair value (EVBC) accounted for under IFRS 9 and assets accounted for as intangibles (Narrabri, Maracás Menchen and Four Mile) under IAS 38.

The royalty income derived from investment properties continues to be accounted for in accordance with IAS 40, while the royalty income derived from assets at fair value is accounted for under IFRS 9 as described above. The royalty income derived from assets classified as intangibles are accounted for in accordance with IFRS 15 with revenue recognition unchanged from the previous revenue standard IAS 18.

Change to revenue presentation

For the period ended 30 June 2018 the Group has revised its definition of revenue and included income received from royalty related financial assets in order to provide greater consistency in the classification of the royalty income arising in the course of the Group's ordinary activities.

Income recognised from the Denison non-current other receivable was previously reported as interest within finance income. In addition, the income earned on the Jogjakarta royalty financial instrument was previously reported as effective interest income on royalty financial instruments within other gains and losses. The Group has included £1,002K (six months ended 30 June 2017: £842K) of Denison interest and £77K (six months ended 30 June 2017: £117K) of Jogjakarta effective interest within "royalty related revenue" for the period ended 30 June 2018 and the comparative has been restated to be on a consistent basis (note 2).

Dividend income is received from the Group`s investment in Labrador Iron Ore Corporation, which was acquired during the six months ended 30 June 2018, whose sole underlying asset is a royalty income stream. This equity financial instrument was designated at inception as fair value through other comprehensive income with dividends accordingly recognised in the income statement. This income is considered royalty-related and therefore part of the Group`s ordinary activities. As such the £141K of dividend income receivable from Labrador Iron Ore for the period to 30 June 2018 was presented in revenue (note 2).

Standards and amendments that are issued but not yet applied by the Group

The Group has not yet applied the following standards and limited amendment to standards:

- IFRS 16: 'Leases' - effective from January 1, 2019, subject to European Union endorsement;
- IFRIC interpretation 22: 'Foreign currency transactions and advance consideration' - effective January 1, 2018, subject to European Union endorsement; and
- IFRIC interpretation 23: 'Uncertainty over income tax treatments' - effective January 1, 2019, subject to European Union endorsement.

IFRS 16: 'Leases' was published on January 2016 and will be effective for the Group from 1 January 2019, replacing IAS 17 'Leases'. The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreement will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwinding of the discount on the lease liability.

As the Group's operating leases relate primarily to office space and office equipment, the adoption of IFRS 16 is not expected to result in a material increase in lease liabilities or a corresponding increase in property, plant, and equipment right-of-use assets.

IFRIC 23: 'Uncertainty over Income Tax Treatments', comes into force on 1 January 2019 and the pronouncement has not yet been endorsed by the EU. IFRIC 23 changes the method of calculating provisions for uncertain tax positions with an entity being required to consider whether it is probable that the relevant authority will accept the tax treatment that it uses or plans to use in its income tax filing. If the entity concludes that it is not probable that a particular tax treatment will be accepted, a provision needs to be made on a probabilistic basis (for issues for which there are a wide range of possible outcomes) or for the most likely amount (if there is a binary outcome). The Group currently recognises provisions based on the most likely amount of the liability, if any, for each separate uncertain tax position.

The Group has considered the future implications of IFRIC 23 and whether it would be likely to change the assessment of whether or not a provision would be required for the uncertain tax position described in the deferred tax note 14. As it is considered probable that the tax treatment is accepted by the relevant authorities, no material impact is expected from the adoption of IFRIC 23; however, the position will continue to be monitored during the remainder of 2018.

Management do not anticipate that the application of IFRIC 22: 'Foreign currency transactions and advance consideration' will have a material impact on the Group's consolidated financial statements.

2 Royalty related revenue

	Six months ended	
	30 June 2018	**30 June 2017**
	£'000	**£'000**
Royalty income	17,857	16,084
Interest from royalty related financial assets	1,079	959
Dividends from royalty financial instruments	141	-
	19,077	17,043

Interest from royalty related financial assets for the six months ended 30 June 2018 of £1.1m (30 June 2017: £1.0m) relates to interest earned (2018: £1.0m; 2017: £0.8m) on the Group's 13 year amortising loan of C$40.8m with an interest rate of 10 per cent per annum, to Denison Mines Inc ("Denison"), which is classified as non-current other receivables (note 12) and the effective interest earned (2018: £0.1m; 2017: £0.1m) on the Group's Jogjakarta royalty financial instrument prior to its disposal in April 2018.

As described in note 1.4, the Group has revised its definition of revenue to include all income received from royalty related financial instruments. As a result, the presentation of the comparatives in the table above has been restated to show an additional £959,000 of income in revenue, which was previously included in finance income. See note 3.

3 Finance income

	Six months ended	
	30 June 2018	**30 June 2017**
	£'000	**£'000**
Group		
Interest on bank deposits	71	6
	71	6

As described in note 1.4, the Group has revised its definition of revenue to include all income received from royalty related financial instruments. As a result, the presentation of the comparatives in the table above has been restated to reallocate £959,000 of interest income from the Group's interest-bearing receivable from Denison Mines Inc (refer to note 12) from finance income to royalty related revenue.

4 Finance costs

	Six months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Group		
Professional fees	(77)	(166)
Revolving credit facility fees	(141)	(74)
Revolving credit facility interest	-	(159)
Net foreign exchange (loss)/gain	(136)	385
	(354)	(14)

5 Other gains/(losses)

	Six months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Group		
Expected credit losses (note 12)	(27)	-
Revaluation of derivative financial instruments	161	(555)
Gain on disposal of royalty financial instrument	1,720	-
	1,854	(555)

6 Earnings/(Loss) per share

Earnings per ordinary share is calculated on the Group's profit after tax of £13.0m for the six months ended 30 June 2018 (30 June 2017: loss £2.5m) and the weighted average number of shares in issue during the period of 180,005,712 (2017: 173,370,074).

	30 June 2018	30 June 2017
	£'000	£'000
Net profit attributable to shareholders		
Earnings – basic	13,007	(2,532)
Earnings – diluted	13,007	(2,532)

	30 June 2018	30 June 2017
Weighted average number of shares in issue		
Basic number of shares outstanding	180,005,712	173,370,074
Dilutive effect of Employee Share Option Scheme	365,678	-
Diluted number of shares outstanding	180,371,389	173,370,074
Earnings/(Loss) per share - basic	7.24p	(1.46p)
Earnings/(Loss) per share - diluted	7.23p	(1.46p)

The weighted average number of shares in issue excludes the issue of shares under the Group's Joint Share Ownership Plan, as the Employee Benefit Trust has waived its right to receive dividends on the 925,933 ordinary 2p shares it holds as at 30 June 2018 (30 June 2017: 925,933).

As the Group was loss making in 2017, the Group's employee share option schemes are considered anti-dilutive because including them in the diluted number of shares outstanding would decrease the loss per share. Consequently, basic and diluted loss per share is the same for the six months ended 30 June 2017.

Adjusted earnings represents the Group's underlying operating performance from core activities. Adjusted earnings is the profit attributable to equity holders plus receipts from royalty financial instruments less all valuation movements, non-cash impairments and amortisation charges (which are non-cash adjustments that arise primarily due to changes in commodity prices), finance costs, any associated deferred tax and any profit or loss on non-core asset disposals as these are not expected to be ongoing.

Valuation and other non-cash movements such as these are not considered by management in assessing the level of profit and cash generation available for distribution to shareholders. As such, an adjusted earnings measure is used which reflects the underlying contribution from the Group's royalties during the year.

The introduction of IFRS 9 at the beginning of the year has impacted on the way in which the EVBC royalty is presented in the Income Statement. Despite the income being a prescribed percentage of revenue, the various equity conversion rights associated with the initial investment resulted in the asset being considered a financial asset. Previously, the royalty was accounted for as an IAS 32 available for sale equity financial asset, whereby the royalty income was recognised included within revenue. Upon adoption of IFRS 9, the royalty income is accounted for as repayment of the balance sheet carrying value and only the revaluation of the future cash flows is recognised in the income. Given this change, the Group has altered its definition of adjusted earnings to include the portion of the valuation movement which is attributable to the royalty income in the period, with non-cash revaluation movements continuing to be excluded. This achieves consistency with the previous years, when EVBC receipts were included as royalty revenue, and reflects the way in which management monitor performance and report revenue internally.

	Earnings	Earnings per share	Diluted earnings per share
	£'000	p	p
Net profit attributable to shareholders			
Earnings - basic and diluted for the six months ended 30 June 2018	13,007	7.24p	7.23p
Adjustment for:			
Amortisation of royalty intangible assets	1,489		
Gain on disposal of royalty financial instrument	(1,720)		
Receipts from royalty financial instruments	1,003		
Revaluation of royalty financial instruments	(752)		
Revaluation of coal royalties (Kestrel)	(1,794)		
Revaluation of foreign currency instruments	(161)		
Share-based payments and associated national insurance	671		
Tax effect of the adjustments above	3,638		
Adjusted earnings - basic and diluted for the six months ended 30 June 2018	15,381	8.56p	8.54p

	Earnings £'000	Earnings per share p	Diluted earnings per share p
Net profit attributable to shareholders			
Loss - basic and diluted for the six months ended 30 June 2017	(2,532)	(1.46p)	(1.46p)
Adjustment for:			
Amortisation of royalty intangible assets	1,568		
Gain on sale of mining and exploration interests	(28)		
Revaluation of royalty financial instruments	3,866		
Revaluation of coal royalties (Kestrel)	11,062		
Revaluation of foreign currency instruments	555		
Share-based payments and associated national insurance	527		
Tax effect of the adjustments above	(2,116)		
Adjusted earnings - basic and diluted for the six months ended 30 June 2017	12,901	7.44p	7.44p

7 Dividends and dividend cover

A second interim dividend of 1.625p per share has been declared for year ending 31 December 2018, and will be paid on 15 November 2018.

On 15 August 2018, the first interim dividend in respect of the year ended 31 December 2018 of 1.625p per share was paid to shareholders (£2.9m). As shareholder approval is not sought for the payment of interim dividends, it has not been included as a current liability as at 30 June 2018.

On 31 May 2018, a final dividend in respect of the year ended 31 December 2017 of 2.50p per share was paid to shareholders (£4.5m).

On 15 February 2018 an interim dividend of 1.50p per share was paid to shareholders (£2.7m) in respect of the year ended 31 December 2017.

Dividend cover

Dividend cover is calculated as the number of times adjusted earnings per share exceeds the dividend per share. The Group's adjusted earnings per share for the six months ended 30 June 2018, is 8.56p per share (note 6) with interim dividends totalling 3.25p, resulting in dividend cover of 2.63x (30 June 2017: adjusted earnings per share 7.44p, interim dividend 3.00p, dividend cover of 2.48x).

8 Coal royalties (Kestrel)

	£'000
At 1 January 2017	116,885
Foreign currency translation	1,657
Loss on revaluation of coal royalties	(11,062)
At 30 June 2017	107,480
Foreign currency translation	(2,343)
Loss on revaluation of coal royalties	(871)
At 31 December 2017	104,266
Foreign currency translation	(3,186)
Gain on revaluation of coal royalties	1,794
At 30 June 2018	102,874

The coal royalty was valued during June 2018 at £102.9m (A$183.4m) by an independent coal industry adviser, on a net present value of the pre-tax cash flow discounted at a nominal rate of 7.5% (30 June 2017: 7.5% and 31 December 2017: 7.5%). The key assumptions in the independent valuation relate to price and discount rate.

The price assumptions used in the 30 June 2018 valuation decrease from US$161/t in the short term to a long-term flat nominal price of US$123/t. If the price were to increase or decrease 10 per cent over the life of the mine the valuation effect would be:

- a 10% reduction in the coal price would have resulted in the coal royalties being valued at A$155.4m (£87.1m) and a reduction in the revaluation uplift in the income statement of £15.7m; and
- a 10% increase in the coal price would have resulted in the coal royalties being valued at A$213.5m (£119.8m) and an increase in the revaluation uplift in the income statement of £16.9m.

The pre-tax nominal discount rate used for the asset is 7.50%, if the discount rate used were to increase or decrease by 1% the valuation effect would be:

- a 1% reduction in the nominal discount rate would have resulted in the coal royalties being valued at A$189.3m (£106.2m) and an increase in the revaluation uplift in the income statement of £3.3m; and
- a 1% increase in the nominal discount rate would have resulted in the coal royalties being valued at A$177.9m (£99.8m) and a reduction in the revaluation uplift in the income statement of £3.1m.

The net royalty income from this investment is currently taxed in Australia at a rate of 30%. The revaluation of the underlying Australian dollar asset is recognised in the Income Statement with the retranslation to the Group's sterling presentation currency recognised in the foreign currency translation reserve.

Were the coal royalty to be realised at the revalued amount, there are £5.1m (A$9.2m) of capital losses potentially available to offset against taxable gains. As the Directors do not presently have any intention to dispose of the coal royalty, these losses have not been included in the deferred tax calculation (note 14). Were the coal royalty to be carried at cost the carrying value would be £0.2m (2017: £0.2m).

Refer to note 18 for additional fair value disclosures relating to Kestrel.

The shares over the entity which is the beneficial owner of the Kestrel royalty have been guaranteed as security in connection with the Group's borrowing facility (note 13).

9 Royalty financial instruments

The details of the Group's royalty financial instruments, which are held at fair value are summarised below:

Project	Commodity	Original Cost '000	Royalty Rate	Escalation	Classification	Royalty Valuation 30 June 2018 £'000
EVBC	Gold, Silver, Copper	C$7,500	2.50%	3% gold >US$1,100/oz	FVTPL	3,300
Dugbe 1	Gold	US$15,000	2.00%	2.5% gold >U$1,800/oz & production <50,000oz/qrt	FVTPL	3,748
McClean Lake	Uranium	C$2,700	22.5% of tolling milling proceeds on all throughput >215Mlbs	-	FVTPL	1,860
Piauí	Nickel-Cobalt	US$2,000	1.00%	-	FVTPL	1,554
Labrador Iron Ore	Iron Ore	C$24,689	7.00%	-	FVOCI	14,346
						24,808

The Group's royalty instruments are represented by four royalty agreements, EVBC, Dugbe 1, McClean Lake, and Piauí which entitle the Group to either the repayment of principal and a net smelter return ("NSR") royalty for the life of the mine or a gross revenue royalty ("GRR") where the project commences commercial production or the repayment of principal where it does not. All four royalty agreements are classified as fair value through profit or loss ('FVTPL').

The Group's fifth royalty financial instrument, is its equity investment in Labrador Iron Ore Company, which was acquired in the six months ended 30 June 2018 and entitles the Group to a share of the 7% GRR Labrador receives from the IOC mine and distributes to its shareholders via dividends.

The Group's entitlements to cash by way of the repayment of the principal and the NSR royalty or the GRR have been classified as fair value through profit or loss in accordance with IFRS 9 and are carried at fair value in accordance with the Group's classification of royalty arrangements criteria adopted in the last annual financial statements for the year to 31 December 2017.

The movement in the Group's royalty financial instruments is summarised in the table below.

	£'000
Fair value	
At 1 January 2017	13,556
Additions	1,654
Revaluation of royalty financial instruments recognised in profit or loss	(3,866)
Revaluation of royalty financial instruments recognised in equity	(631)
Foreign currency translation	(66)
At 30 June 2017	10,647
Additions	1,669
Revaluation of royalty financial instruments recognised in profit or loss	(2,458)
Revaluation of royalty financial instruments recognised in equity	1,127
Foreign currency translation	(118)
At 31 December 2017	10,867
Additions	13,915
Royalties due or received from royalty financial instruments	(1,003)
Revaluation of royalty financial instruments recognised in profit or loss	752
Revaluation of royalty financial instruments recognised in equity	113
Foreign currency translation	164
At 30 June 2018	24,808

On 13 February 2017, the Group completed a C$43.5m (£26.6m) financing and streaming agreement with Denison. The financing agreement is structured as a 13 year amortising loan of C$40.8m (£24.9m) with an interest rate of 10 per cent per annum payable to the Group and is classified as non-current other receivables (note 12). The streaming agreement, which entitles the Group to receive Denison's portion of toll milling proceeds from the McClean Lake Mill after the first 215Mlbs of throughput from July 1, 2016, was acquired for C$2.7m (£1.7m) and has a fair value at 30 June 2018 of £1.8m.

On 14 September 2017, the Group acquired a 1% gross revenue royalty over the Piauí nickel-cobalt project in Brazil for US$2.9m (£1.6m). Under the acquisition agreement, subject to certain development milestones, the Group has the option to acquire up to a total of US$70.0m in additional gross revenue royalties. The Group has decided to evoke the fair value option in classifying this royalty financial instrument, due to there being one or more embedded options that are not closely related in the underlying contract. As at 30 June 2018, the Group assessed the probability of the Piauí project reaching commercial production at 25% and applied this to the discounted future cash flows of the royalty with a 12% post tax nominal discount rate, resulting in a valuation of £1.6m.

During the six months ended 30 June 2018, the Group acquired 1,033,090 shares in Labrador Iron Ore Company at a cost of C$24.7m (£13.9m). As Labrador Iron Ore Company is a single asset company, being the 7% gross revenue royalty over IOC mine which is majority owned and operated Rio Tinto, the Group has classified its investment in Labrador Iron Ore as a royalty financial instrument, carried at fair value through profit or loss. As at 30 June 2018, the Group's investment in Labrador was valued at £14.3m, resulting in a £0.1m gain on revaluation of royalty financial instruments, together with a foreign exchange gain of £0.3m. The resulting dividends from the Group's investment in Labrador Iron Ore have been classified as royalty related revenue (as described in note 2).

10 Royalty and exploration intangibles assets

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At 1 January 2018	697	115,069	115,766
Additions	-	2,057	2,057
Foreign currency translation	-	(3,327)	(3,327)
At 30 June 2018	697	113,799	114,496
Amortisation and impairment			
At 1 January 2018	(697)	(37,648)	(38,345)
Amortisation charge	-	(1,489)	(1,489)
Foreign currency translation	-	1,021	1,021
At 30 June 2018	(697)	(38,116)	(38,813)
Carrying amount 30 June 2018	-	75,683	75,683

Group	Exploration and Evaluation Costs £'000	Royalty Interests £'000	Total £'000
Gross carrying amount			
At 1 January 2017	697	115,017	115,714
Foreign currency translation	-	1,109	1,109
At 30 June 2017	697	116,126	116,823

Amortisation and impairment			
At 1 January 2017	(697)	(34,970)	(35,667)
Amortisation charge	-	(1,568)	(1,568)
Foreign currency translation	-	(202)	(202)
At 30 June 2017	(697)	(36,740)	(37,437)
Carrying amount 30 June 2017	-	79,386	79,386

Group	**Exploration and Evaluation Costs £'000**	**Royalty Interests £'000**	**Total £'000**
Gross carrying amount			
At 1 January 2017	697	115,017	115,714
Additions	-	-	-
Transferred from deferred acquisition costs	-	1,125	1,125
Foreign currency translation	-	(1,073)	(1,073)
At 31 December 2017	697	115,069	115,766
Amortisation and impairment			
At 1 January 2017	(697)	(34,970)	(35,667)
Amortisation charge	-	(3,116)	(3,116)
Foreign currency	-	438	438
At 31 December 2017	(697)	(37,648)	(38,345)
Carrying amount 31 December 2017	-	77,421	77,421

Royalty interests

On 11 June 2018, the Group completed its acquisition of the 0.5% NSR over the Canariaco copper royalty from Entrée Resources Limited in exchange for 478,951 new ordinary shares of 2p each, issued at 156.6p per share resulting total consideration for the royalty £0.8m (US$1.0m).

The Group has recognised the second tranche of deferred consideration due to Largo Resources Limited of U$1.5m (£1.2m) under the royalty agreement to acquire the Maracás Menchen royalty. This follows the record production achieved by Largo throughout H1 2018, and management's expectation that Largo will achieve, in a quarter, an annualised rate of production of 12,000t. A corresponding liability has been included in trade and other payables on the balance sheet as at 30 June 2018.

The amortisation charge for the period, of £1.5m (30 June 2017: £1.6m) relates to the Group's producing royalties, Narrabri, Maracás Menchen and Four Mile. Amortisation of the remaining interests will commence once they begin commercial production.

All intangible assets are assessed for indicators of impairment at each reporting date. As at 30 June 2018 no further impairment charges were recognised (31 December 2017: nil). The Group's intangible assets will be assessed for indicators of impairment again at 31 December 2018.

The shares of the entity which is the beneficial owner of the Narrabri royalty have been guaranteed as security in connection with the Group's borrowing facility (note 13). No other intangible assets have been pledged as security for liabilities.

11 Mining and exploration interests

	£'000
Fair value	
At 1 January 2017	17,062
Disposals	(36)
Revaluation adjustment	(2,401)
Foreign currency translation	(17)
At 30 June 2017	14,608
Disposals	(2,388)
Revaluation adjustment	4,138
Foreign currency translation	73
At 31 December 2017	16,431
Disposals	(612)
Revaluation adjustment	(3,711)
Foreign currency translation	3
At 30 June 2018	12,111

The fair values of listed securities are based on quoted market prices. Unquoted investments and royalty options are initially recognised using cost where fair value cannot be reliably determined. In the absence of an active market for these securities, the Group considers each unquoted security to ensure there has been no material change in the fair value since initial recognition.

Following the transition to IFRS 9 on 1 January 2018, mining and exploration interests are now held at fair value through other comprehensive income, with the effect that the gains and losses on disposal and impairment losses are no longer recycled from reserves to the income statement for this category of asset.

Total mining and exploration interests are represented by:

	30 June 2018	31 December 2017	30 June 2017
	£'000	£'000	£'000
Quoted investments	8,891	13,270	11,335
Unquoted investments	3,220	3,161	3,273
	12,111	16,431	14,608
Number of investments	9	10	10

12 Non-current other receivables

	£'000
At 1 January 2017	-
Advances under commodity related financing agreements	24,990
Interest earned in the period	842
Repayments of principal and interest under commodity related financing agreements	(3,307)
Foreign currency translation	(757)
At 30 June 2017	21,768
Interest earned in the period	1,084
Repayments of principal and interest under commodity related financing agreements	(1,670)
Foreign currency translation	77
At 31 December 2017	21,259
Opening provision for expected credit losses on transition to IFRS 9	(50)
Interest earned in the period	1,002
Repayments of principal and interest under commodity related financing agreements	(1,743)
Provision for expected credit losses	(27)
Deferred acquisition costs	(6)
Foreign currency translation	(514)
At 30 June 2018	19,921

On 13 February 2017 the Group completed a C$43.5m (£26.6m) financing and streaming agreement with Denison. The streaming agreement is classified as a fair value through profit or loss royalty financial instrument (note 9).

The financing agreement is structured as a 13 year secured amortising loan of C$40.8m (£24.9m) with an interest rate of 10 per cent per annum payable to the Group. The loan contains mandatory repayment provisions in any period where the equivalent toll revenues exceed the interest liability. Conversely, in any period when toll revenues are less than the interest payment, the shortfall is capitalised and carried forward to the next period. The loan principal, along with any capitalised interest is repayable in full at maturity.

The Group has earned £1.0m in interest revenue during the six months ended 30 June 2018 (2017: £0.8m) and received principal repayments of £0.7m (2017: £2.5m).

13 Borrowings

	30 June 2018 Group £'000	31 December 2017 Group £'000	30 June 2017 Group £'000
Secured borrowing at amortised cost			
Revolving credit facility	6,000	-	6,259
Deferred borrowing costs	(185)	-	(169)
	5,815	-	6,090

The Group's borrowings relates to the partial draw-down of the Group's revolving credit facility.

On 8 February 2017, the Group refinanced its existing US$30.0m revolving credit facility with Barclays Bank PLC, and entered into a new three year secured US$30.0m revolving credit facility and US$10.0m accordion with an equal syndicate of Barclays Bank PLC and Investec Bank PLC.

Borrowings under facility attract interest of LIBOR plus 300bps when the leverage ratio is <1x. The margin ratchets up depending on the leverage ratio with a maximum of 400bps at 2x.

Deferred borrowing costs relate to the establishment fees associated with the facility and will be amortised over its term. The deferred borrowing costs under the previous revolving credit facility were amortised in full upon the amendment and restatement of the facility.
As at 30 June 2018, the Group had utilised £6.0m (US$7.9m) of its facility and access to a further £18.0m (US$32.1m) in undrawn funds under the same facility.

The Group's revolving credit facility is secured by way of a guarantee over the shares of the of the entities which are the beneficial owners of the Narrabri and Kestrel royalties and a floating charge over the Group's assets. The facility is also subject to a number of financial covenants, all of which have been met during the period ended 30 June 2018.

The Group's net cash position after offsetting interest bearing liabilities against cash and cash equivalents is as follows:

	30 June 2018	31 December 2017	30 June 2017
	£'000	£'000	£'000
Revolving credit facility	(6,000)	-	(6,259)
Cash and cash equivalents	11,155	8,099	5,627
Net (debt)/cash and cash equivalents	5,155	8,099	(632)

14 Deferred tax

The following are the major deferred tax liabilities/(assets) recognised by the Group and the movements thereon during the period:

	Coal royalties		Available-for sale-investments				
	Revaluation of coal royalty	Effects of tax losses	Revaluation of royalty instruments	Revaluation of mining interests	Accrual of royalty receivable	Other tax losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	34,543	(1,605)	(920)	164	2,667	(7,338)	27,511
Charge/(credit) to profit or loss	(3,326)	1,648	336	-	(602)	2,380	436
Charge/(credit) to other comprehensive income	-	-	(107)	(364)	-	-	(471)
Exchange differences	514	(43)	(20)	218	42	(46)	665
Effect of change in tax rate:							
- income statement	(1,818)	-	(264)	-	-	-	(2,082)
- equity	-	-	(70)	-	-	-	(70)
At 30 June 2017	29,913	-	(1,045)	18	2,107	(5,004)	25,989
Charge/(credit) to profit or loss	418	(12)	(652)	190	(362)	1,723	1,305
Charge/(credit) to other comprehensive income	-	-	191	8	-	-	199
Exchange differences	(870)	12	34	(208)	(39)	(63)	(1,134)

Effect of change in tax rate:							
- income statement	(336)	-	-	-	-	-	(336)
At 31 December 2017	29,125	-	(1,472)	8	1,706	(3,344)	26,023
Charge/(credit) to profit or loss	688	-	(4)	-	110	3,290	4,084
Charge/(credit) to other comprehensive income	-	-	-	(147)	-	-	(147)
Exchange differences	(946)	-	66	139	(52)	2	(791)
At 30 June 2018	28,867	-	(1,410)	-	1,764	(52)	29,169

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30 June 2018	31 December 2017	30 June 2017
	£'000	£'000	£'000
Deferred tax liabilities	31,192	31,507	32,503
Deferred tax assets	2,023	5,484	6,514
	29,169	26,023	25,989

Uncertain tax positions

The Group has incurred significant losses and impairment charges over the last four years. These losses have resulted, in some instances, in capital restructuring involving related Group entities, for which the Group obtained advice from professional advisors. This advice involved the interpretation of certain tax legislations for which there is no clear precedent or guidance. Absent clear guidance from relevant tax authorities there is the possibility that those tax authorities could interpret the legislation in a different way from the Group, which could result in a material reduction in the deferred tax asset and the recognition of a material current tax provision at 30 June 2018. These amounts are estimated at £3.3m and £3.6m respectively.

15 Share capital, share premium and merger reserve

	Number of shares	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000

Group and Company

Ordinary shares of 2p each at 1 January 2017	**169,942,034**	**3,399**	**49,211**	**29,134**	**81,744**
Issue of share capital under placing and placing and open offer	10,960,000	219	12,755	-	12,974
Ordinary shares of 2p each at 30 June 2017 and 31 December 2017	**180,902,034**	**3,618**	**61,966**	**29,134**	**94,718**
Issue of share capital following the exercise of employee share options	37,954	1	34	-	35
Issue of share capital to acquire royalty intangible asset	478,951	9	741	-	750
Ordinary shares of 2p each at 30 June 2018	181,418,939	3,628	62,741	29,134	95,503

On 6 February 2017, the Group issued 10,960,000 new ordinary shares of 2p each to part fund the Denison transaction (refer to notes 9 and 12). The shares were placed at 125p per share raising gross proceeds of £13.7m (C$22.4m), and net proceeds of £13.0m.

On 16 May 2018, the Group issued 37,954 new ordinary shares of 2p each following the exercise of options awarded to employees under the Company Share Option Plan. The shares were issued at the exercise price of 99.21p per share.

On 11 June 2018, the Group issued 478,951 new ordinary shares of 2p each to Entrée Resources Limited as consideration for acquiring the Canariaco copper royalty (note 9). The shares were issued at 156.6p per share with the total consideration for the Canariaco copper royalty being £0.8m (US$1.0m).

16 Retained earnings

	£'000
Balance at 1 January 2017	93,928
Dividends paid	(10,470)
Loss for the period	(2,532)
Balance at 30 June 2017	80,926
Surrender of options from share-based payment	15
Dividends paid	(5,399)
Profit for the period	13,059
Balance at 31 December 2017	88,601
Adjustment for transition to new accounting standards	(527)
Share-based payments to employees	15
Transfer from investment revaluation reserve	397
Dividends paid	(7,200)
Profit for the period	13,007
Balance at 30 June 2018	94,293

17 Segment information

The Group's chief operating decision maker is considered to be the Executive Committee. The Executive Committee evaluates the financial performance of the Group based on a portfolio view of its individual royalty arrangements. Royalty related income and its associated impact on operating profit is the key focus of the Executive Committee. The income from royalties is presented based on the jurisdiction in which the income is deemed to be sourced as follows:

Australia: Kestrel, Narrabri, Four Mile, Pilbara, Mount Ida
Americas: McLean Lake, Maracás Menchen, Amapá and Tucano, Ring of Fire, Groundhog, Piaui, Canariaco
Europe: EVBC, Salamanca, Isua, Bulqiza
Other: Dugbe 1, and includes the Group's mining and exploration interests

The following is an analysis of the Group's results by reportable segment. The key segment results presented to the Executive Committee for making strategic decision and allocation of resources is operating profit as analysed below.

The segment information provided to the Executive Committee for the reportable segments for the six months ended 30 June 2018 is as follows (noting that total segment operating profit corresponds to operating profit before impairments, revaluations and gains/losses on disposals which is reconciled to Loss before tax on the face of the consolidated income statement):

	Australian Royalties £'000	Americas Royalties £'000	European Royalties £'000	All other segments £'000	Total £'000
Royalty related revenue	15,732	3,268	-	77	19,077
Amortisation of royalties	(1,236)	(253)	-	-	(1,489)
Operating expenses	(1,215)	-	-	(1,908)	(3,123)
Total segment operating profit/(loss)	13,281	3,015	-	(1,831)	14,465
Total segment assets	163,598	57,833	5,649	30,569	257,649
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	2,057	-	-	2,057
Total segment liabilities	30,737	1,136	561	8,092	40,526

The segment information for the six months ended 30 June 2017 is as follows:

	Australian Royalties £'000	Americas Royalties £'000	European Royalties £'000	All other segments £'000	Total £'000
Royalty related revenue	14,484	1,627	815	117	17,043
Amortisation of royalties	(1,321)	(247)	-	-	(1,568)
Operating expenses	(1,383)	-	-	(1,656)	(3,039)
Total segment operating profit/(loss)	11,780	1,379	815	(1,539)	12,436
Total segment assets	175,079	42,189	5,342	34,208	256,818
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	-	-	-	-

Total segment liabilities	32,104	1,154	485	13,520	47,263

The segment information for the twelve months ended 31 December 2017 is as follows:

	Australia Royalty £'000	**Americas Royalty £'000**	**Europe Royalty £'000**	**All other segments £'000**	**Total £'000**
Royalty related revenue	33,692	3,927	1,689	258	39,566
Amortisation of royalties	(2,623)	(493)	-	-	(3,116)
Operating expenses	(2,987)	-	-	(2,903)	(5,890)
Total segment operating profit/(loss)	28,082	3,434	1,689	(2,645)	30,560
Total segment assets	168,823	43,122	6,328	35,089	253,362
Total assets include:					
Additions to non-current assets (other than financial instruments and deferred tax assets	-	-	-	-	-
Total segment liabilities	30,539	-	676	2,732	33,947

The Group has revised its definition of revenue to include all income from royalty related financial instruments, as described in note 1.4. As a result, the presentation of the comparative royalty related revenue in the tables above have been restated to show an addition £959,000 of income in revenue for the six months ended 30 June 2018 and an additional £2,184,000 of income in revenue for the year ended 31 December 2018.

The amounts provided to the Executive Committee with respect to total segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the Executive Committee with respect to total segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The royalty related income in Australia of £15.7m (2017: £14.5m) is substantially derived from the Kestrel and Narrabri royalties, which generated £14.2m and £1.5m respectively for the six months ended 30 June 2018 (2017: £12.6m and £1.9m). Both royalties represent greater than 10% of the Group's revenue in 2017, while only Kestrel represents greater than 10% of the Group's revenue in 2018.

18 Financial risk management

The Group's principal treasury objective is to provide sufficient liquidity to meet operational cash flow and dividend requirements and to allow the Group to take advantage of new growth opportunities whilst maximising shareholder value. The Group's activities expose it to a variety of financial risks including liquidity risk, credit risk, foreign exchange risk and price risk. The Group operates controlled treasury policies which are monitored by management to ensure that the needs of the Group are met while minimising potential adverse effects of unpredictability of financial markets on the Group's financial performance.

Financial instruments

The Group held the following investments in financial instruments (this includes investment properties):

	30 June 2018	**31 December 2017**	**30 June 2017**
	£'000	**£'000**	**£'000**
Investment property (held at fair value)			
Coal royalties (Kestrel)	102,874	104,266	107,480
Fair value through other comprehensive income			
Royalty financial instruments	14,346	3,979	2,852
Mining and exploration interests	12,111	16,431	14,608
Fair value through profit or loss			
Royalty financial instruments	10,462	6,888	7,795
Derivative financial instruments	-	100	168

	30 June 2018	**31 December 2017**	**30 June 2017**
	£'000	**£'000**	**£'000**
Loans and receivables			
Trade and other receivables	28,176	29,444	30,435
Cash at bank and in hand	11,155	8,099	5,627

Financial liabilities			
Trade and other payables	311	16	981
Borrowings	5,815	-	6,090
Other payables	1,509	-	1,154
Derivative financial instruments	42	-	-

Cash and cash equivalents comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair value.

The Directors consider that the carrying amount of trade and other receivables and trade and other payables approximates their fair value.

Liquidity and funding risk

The objective of the Group in managing funding risk is to ensure that it can meet its financial obligations as and when they fall due. As at 30 June 2018, the Group had utilised £6.0m (US$7.9m) of its facility (31 December 2017: nil) and access to a further £18.0m (US$32.1m) in undrawn funds (31 December 2017: £29.6m) under the same facility.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group undertakes detailed analysis of factors which mitigate the risk of default to the Group.

Foreign exchange risk

The Group's transactional foreign exchange exposure arises from income, expenditure and purchase and sale of assets denominated in foreign currencies. With royalty income from Kestrel and Narrabri accounting for over 82% of the Group's income (30 June 2017: 85%), the Group's primary foreign exchange exposure is to the Australian dollar, which these royalties are denominated in. In 2016, the Group implemented a hedging policy whereby foreign exchange forward contracts can be entered into with a maximum exposure of 70% of forecast Australian dollar denominated royalty revenue expected to be received during a period not exceeding 12 months from contract date to settlement. As at 30 June 2018, the fair value of the outstanding forward contracts was a loss of £42,000 (31 December 2017: £100,000).

Other price risk

The Group is exposed to other price risk in respect of its mining and exploration interests which include listed and unlisted equity securities and any convertible instruments. Interests are continually monitored for indicators that may suggest problems for these companies raising capital or continuing their day-to-day business activities to ensure remedial action can be taken if necessary. No specific hedging activities are undertaken in relation to these interests and the voting rights arising from these equity instruments are utilised in the Group's favour.

Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2018:

			30 June 2018		
		Level 1	**Level 2**	**Level 3**	**Total**
Group	**Note**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	102,874	102,874
Royalty financial instruments	(b)	14,346	-	10,462	24,808
Mining and exploration interests - quoted	(c)	8,891	-	-	8,891
Mining and exploration interests - unquoted	(d)	-	3,220	-	3,220
Financial derivative instruments	(e)	-	-	-	-
Net fair value		23,237	3,220	113,336	139,793

The following tables present the Group's assets and liabilities that are measured at fair value at 30 June 2017:

			30 June 2017		
		Level 1	**Level 2**	**Level 3**	**Total**
Group	**Note**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	107,480	107,480
Royalty financial instruments	(b)	-	-	10,647	10,647
Mining and exploration interests - quoted	(c)	11,335	-	-	11,335

Mining and exploration interests - unquoted	(d)	-	3,273	-	3,273
Financial derivative instruments	(e)	-	168	-	168
Net fair value		11,335	3,441	118,127	132,903

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2017:

			31 December 2017		
		Level 1	**Level 2**	**Level 3**	**Total**
Group	**Note**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Coal royalties (Kestrel)	(a)	-	-	104,266	104,266
Royalty financial instruments	(b)	-	-	10,867	10,867
Mining and exploration interests - quoted	(c)	13,270	-	-	13,270
Mining and exploration interests - unquoted	(d)	-	3,161	-	3,161
Financial derivative instruments	(e)	-	100	-	100
Net fair value		13,270	3,261	115,133	131,664

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purposes of measuring fair value of royalty financial instruments gives more prominence to the probability of production by applying a risk weighting to the discounted net present value outcome in order to fully reflect the risk that the operation never comes into production, rather than factoring this risk into the discount rate applied to the future cash flow.

(a) Coal royalties (investment property)

The Group's coal royalties derive from its ownership of certain sub-stratum land in Queensland, Australia. In accordance with IAS 40, this land is revalued at each reporting date on the basis of future expected income discounted at 7.5% (30 June 2017: 7.5% and 31 December 2017: 7.5%) by an independent valuation consultant. See note 8 for further details. All unobservable inputs are obtained from third parties.

(b) Royalty financial instruments

At the reporting date, the royalty financial instruments are valued based on the net present value of pre-tax cash flows discounted at a rate between 7% and 18%. The discount rate of each royalty arrangement is derived using a capital asset pricing model specific to the underlying project, making reference to the risk free rate of return expected on an investment with the same time horizon as the expected mine life, together with the country risk associated with the location of the operation.

For those royalty financial instrument not in production, the outcome of this net present value calculation is then risk weighted to reflect management's current assessment of the overall likelihood and timing of each project coming into production and royalty income arising. This assessment is impacted by news flow relating to the underlying operation in the period, in conjunction with management's assessment of the economic viability of the project based on commodity price projections.

The table below outlines the discount rate and risk weighting applied in the valuation of the Group's royalty financial instruments:

		30 June 2018		**31 December 2017**		**30 June 2017**	
	Classification	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**	**Discount Rate**	**Risk Weighting**
EVBC	Fair Value through Profit or Loss	8%	100%	7%	100%	7%	100%
Jogjakarta	Fair Value through Profit or Loss	N/A	N/A	10%	Nil	13%	Nil
Dugbe 1	Fair Value through Profit or Loss	18%	75%	18%	75%	13.50%	75%
McLean Lake	Fair Value through Profit or Loss	7%	50%	7%	50%	10%	100%
Piaui	Fair Value through Profit or Loss	12%	25%	12%	30%	N/A	N/A

The Group has reviewed the impact on the carrying value of its royalty financial instruments, and does not consider a +/- 1% change in the discount rate or a +/- 10% change in the underlying commodity prices to have a material impact.

(c) Mining and exploration interests - quoted

All the quoted mining and exploration interests have been issued by publicly traded companies in well established security markets. Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

(d) Mining and exploration interests - unquoted

All the unquoted mining and exploration interests are initially recognised using cost as the best approximation of fair value. The Group notes any trading activity in the unquoted instruments and will value its holding accordingly. At present, the Group holds these investments with a view to generating future royalties and there is no present intention to sell. The vast majority of these are investments which the Group anticipates a realistic possibility of a future listing.

(e) Foreign currency financial instruments

The foreign currency financial instruments consist of the foreign exchange forward contracts entered into to hedge the Group's Australian dollar denominated royalty income. At the reporting date the foreign exchange forward contracts are valued based on the net present value of the discounted future cash flows estimated based on forward exchange rates and contract forward rates, discounted at a rate that reflect the credit risk of various counterparties.

Fair value measurements in Level 3

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data.

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2018.

	Royalty financial instruments	**Coal royalties (Kestrel)**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2018	10,867	104,266	115,133
Additions	-	-	-
Revaluation gains or losses recognised in:			
Income statement	752	1,794	2,545
Receipts from royalty financial instruments	(1,003)	-	(1,003)
Foreign currency translation	(154)	(3,186)	(3,339)
At 30 June 2018	10,462	102,874	113,336

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2017.

	Royalty financial instruments	**Coal royalties (Kestrel)**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2017	13,556	116,885	130,441

Additions	1,654	-	1,654
Revaluation gains or losses recognised in:			
Other comprehensive income	(631)	-	(631)
Income statement	(3,866)	(11,062)	(14,928)
Foreign currency translation	(66)	1,657	1,591
At 30 June 2017	10,647	107,480	118,127

The following table presents the changes in Level 3 instruments for the year ended 31 December 2017.

	Royalty financial instruments	Coal royalties (Kestrel)	Total
	£'000	£'000	£'000
At 1 January 2017	13,556	116,885	130,441
Additions	3,323	-	3,323
Revaluation gains or losses recognised in:			
Other comprehensive income	496	-	496
Income statement	(6,324)	(11,933)	(18,257)
Foreign currency translation	(184)	(686)	(870)
At 31 December 2017	10,867	104,266	115,133

There have been no transfers into or out of Level 3 in any of the reporting periods.

The Group measures its entitlement to the royalty income and any optionality embedded within the royalty instruments using discounted cash flow models. In determining the discount rate to be applied, management considers the country and sovereign risk associated with the projects, together with the time horizon to the commencement of production and the success or failure of projects of a similar nature.

19 Related party transactions

The Group received £41,070 from Audley Capital Advisors LLP, a company of which Mr J.A. Treger, Chief Executive Officer, is both a director and shareholder, for the subletting of office space during the period ended 30 June 2018 (2017: £19,839). As at 30 June 2018, Audley Capital Advisors LLP, owe the Group a further £20,777 for the subletting of office space (2017: £21,077).

During the six months ended 30 June 2017, the Group has made payments of £7,943 to Audley Capital Advisors LLP, for the reimbursement of IT recharges, no such payments were made six months ended 30 June 2018.

20 Free cash flow

The structure of a number of the Group's royalty financing arrangement, such as the Denison transaction completed in February 2017, result in a significant amount of cash flow being reported as principal repayments, which are not included in the income statement. As the Group considers dividend cover based on the free cash flow generated by its assets, management have determined that free cash flow per share is a key performance indicator, going forward.

Free cash flow per share is calculated by dividing net cash generated from operating activities, proceeds from the disposal of non-core assets, less finance costs divided by the weighted average number of shares in issue.

	£'000	Free cash flow per share p
Net cash generated from operating activities		
Net cash generated from operating activities for the six months ended 30 June 2018	14,928	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	612	
Finance income	71	
Finance costs - excluding foreign exchange gains/losses	(218)	
Proceeds on disposal of royalty financial instruments	1,720	
Repayments under commodity related financing agreements	741	
Free cash flow for the six months ended 30 June 2018	17,854	9.92p

	£'000	Free cash flow per share p
Net cash generated from operating activities		
Net cash generated from operating activities for the six months ended 30 June 2017	16,799	
Adjustment for:		
Proceeds on disposal of mining and exploration interests	36	

Finance income	6	
Finance costs - excluding foreign exchange gains/losses	(399)	
Repayments under commodity related financing agreements	2,465	
Free cash flow for the six months ended 30 June 2017	18,907	10.91p

The weighted average number of shares in issue for the purpose of calculating the free cash flow per share is as follows:

	30 June 2018	**30 June 2017**
Weighted average number of shares in issue	180,005,712	173,370,074

21 Events occurring after period end

On 16 August 2018, the Group announced that it has acquired a 4.25% shareholding in Labrador Iron Ore Corporation (LIROC) for total consideration of C$65.5m (£37.0m). As at 30 June 2018, the Group's total investment in LIORC was C$24.7m (note 9). The Group's subsequent investment in LIROC was C$40.8m which was funded by the Group's existing cash reserves and drawing down a further £11.3m from the Group's revolving credit facility.

22 Availability of financial statements

This statement will be sent to shareholders and will be available at the Group's registered office at 1 Savile Row, London W1S 3JR.

INDEPENDENT REVIEW REPORT TO ANGLO PACIFIC GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018, is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants
London, UK
22 August 2018

Cautionary statement on forward-looking statements and related information
Certain information contained in this announcement, including any information as to future financial or operating performance and other statements that express management's expectation or estimates of future performance, constitute "forward looking statements". The words "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts", or negative versions thereof and other similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Further, forward-looking statements are not guarantees of future performance and involve risks and uncertainties which could cause actual results to differ materially from those anticipated,

estimated or intended in the forward-looking statements. Furthermore, this announcement contains information and statements that are based on certain estimates and forecasts that have been provided to the Group by Kestrel Coal Pty Ltd ("KCPL"), the accuracy of which KCPL does not warrant and on which readers may not rely. The material assumptions and risks relevant to the forward-looking statements in this announcement include, but are not limited to: stability of the global economy; stability of local government and legislative background; continuing of ongoing operations at the properties underlying the Group's portfolio of royalties in a manner consistent with past practice; accuracy of public statements and disclosures (including feasibility studies and estimates of reserve, resource, production, grades, mine life, and cash cost) made by the owners and operators of such underlying properties; accuracy of the information provided to the Group by the owners and operators of such underlying properties; no material adverse change in the price of the commodities produced from the properties underlying the Group's portfolio of royalties and investments; no material adverse change in foreign exchange exposure; no adverse development in respect of any property in which the Group holds a royalty or other interest, including but not limited to unusual or unexpected geological formations and natural disasters; successful completion of new development projects; planned expansions or additional projects being within the timelines anticipated and at anticipated production levels; and maintenance of mining title. If any such risks actually occur, they could materially adversely affect the Group's business, financial condition or results of operations. For additional information with respect to such risks and uncertainties, please refer to the "Principal Risks and Uncertainties" section of our most recent Annual Report available on www.sedar.com and the Group's website www.anglopacificgroup.com. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. The forward-looking statements contained in this announcement are made as of the date of this announcement only and the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Third party information

As a royalty holder, the Group often has limited, if any, access to non-public scientific and technical information in respect of the properties underlying its portfolio of royalties, or such information is subject to confidentiality provisions. As such, in preparing this announcement, the Group has largely relied upon the public disclosures of the owners and operators of the properties underlying its portfolio of royalties, as available at the date of this announcement.

Rio Tinto Limited, Whitehaven Coal Limited, Berkeley Energia Limited and Atrum Coal NL are all listed on the Australian Stock Exchange and report in accordance with the JORC Code. Orvana Minerals Corporation and Largo Resources Limited are listed on the Toronto Stock Exchange and report in accordance with NI 43-101. Zamin is an independent mining group. Hummingbird Resources PLC is listed on AIM.

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